



AMC DCSPER News Item



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Privatization

This is the first in a series of articles on Privatization, intended to introduce you to the concept. Future articles will be tied to key developments, with the purpose of keeping you informed on this subject.

One of the terms AMC employee hears frequently is "privatization". Yet, it is difficult to find literature describing or even defining the concept. AMC is a prime player in the effort to consider functions that can be privatized, and the CG has a Task Force chaired by the DCS for Resource Management studying options.

Although there is no single definition, the most comprehensive one we've seen is that of the Price-Waterhouse Transportation and Utility Finance Group:

- (1) The private development and operation of public-use infrastructure and the provision of public services that have traditionally been provided by the state.
- (2) Contracting out of services which does not usually include private sharing of financial responsibility.
- (3) The sale of state-owned enterprises to private firms with the expectation that the buyer will improve operating efficiency, invest new capital, and take full advantage of the enterprise's commercial development potential, all at a lower cost to the state.

The concept of privatization within the Federal government is not new. For years, DOD has been leasing military family housing units, contractors have fought forest fires, and the private sector has managed day care centers on federal facilities. Business entities have run ammunition plants and arsenals.

Privatization can take many forms, the most common of which are employee stock ownership programs, government owned-contractor operated facilities, contractor owned-contractor operated facilities, and facilities use agreements. However, creative initiatives in this area are being raised and considered as part of the charter for the AMC Privatization Task Force.

Privatization has been critical to our planning for the future of AMC. As a result of downsizing we have to concentrate our valuable and dwindling resources to performing our core competencies with an eye to cutting costs and improving performance by introducing competition.

One of the driving forces of Privatization is the National Performance Review (NPR). The focus of Phase Two of the NPR is cutting back to basics. This includes studying methods:

- (1) encouraging service termination: ceasing federal government involvement and looking to commercial, state or local government markets;
- (2) creating public-private partnerships: a joint investment relationship;
- (3) fostering competition: "outsourcing" or "contracting out" alternatives whereby the government remains fully responsible for the provision of all services and management decisions; and,
- (4) supporting privatization.

Another driving force for privatization is the Base Closure and Realignment process (BRAC). BRAC 1993 recommendations raised the consideration of turning to the private sector, and the 1995 BRAC round intensified the debate. The 1995 BRAC Commission contains 12 recommendations giving DOD a choice of moving workload from the BRAC site to either another DOD activity or to the private sector. Today, we are implementing the BRAC recommendations and considering the options given to us--including privatization.

The privatization concept is new, but the developments are expected to come quick.

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